

FHA Loans More Accessible Than Most People Realize

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Although lending standards have become more strict during the economic crisis, the FHA loan program has remained relatively unchanged, and continues to be the most popular mortgage program in America.

Many people falsely believe that FHA loans are available only for first-time buyers or those with perfect credit. Both of those misconceptions are untrue. FHA loans are not limited to first-time buyers and even those with damaged credit can qualify for such a loan.

One of the factors that makes FHA loans so popular is the low down payment required – only a payment of 3.5% from the borrower's own funds is required. The funds can come from savings, a checking account, or retirement funds, or from gifts to the borrower by a relative or other party. Customers with credit scores between 620 and 740 may be able to obtain a better rate, lower fees, and lower mortgage insurance costs with an FHA loan as compared to conventional loans.

While FHA does require a borrower to show an overall history of repaying obligations in a timely manner, it does allow for less than perfect credit in some cases. Even if a borrower has a bankruptcy in their past, they may be able to obtain an FHA loan. If two years have passed since the borrower had a Chapter 7 case and there have been no late payments on the borrower's credit report since that time, an FHA loan may be obtainable. If a Chapter 13 case has been completed and discharged, an FHA loan can be obtained immediately if the preceding 12 bankruptcy payments were made on time. It is even possible for a borrower to obtain an FHA loan during a Chapter 13 bankruptcy, if trustee payments have been made on time and the trustee and the court approve the incurrence of the new debt.

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FHA loans are also assumable, which will make a home more sellable later. Another advantage is the streamlined refinancing procedure should a buyer later wish to convert the loan into a more favorable one later.

More information concerning FHA loans is available from the website of the Federal Housing Administration.

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